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Chief Clerk of the House

FILED FEB 13 2003

By: Warren Chisum

H.B. No. 942

A BILL TO BE ENTITLED

AN ACT

relating to certain exemptions from bond requirements for certain
well operators.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.103, Natural Resources Code
(effective until September 1, 2004), is amended to read as follows:

Sec. 91.103. PERSONS REQUIRED TO EXECUTE BOND OR ALTERNATE
FORM OF FINANCIAL SECURITY. (a) Any person, including any firm,
partnership, joint stock association, corporation, or other
organization, required to file an organization report under Section
91.142 of this code shall execute and file with the commission a
bond or alternate form of financial security.

(b) This section does not apply to a person who has no
responsibility over a wellbore, including a water hauler, pipeline
company, or well plugger.

SECTION 2. Section 91.103, Natural Resources Code
(effective September 1, 2004), is amended to read as follows:

Sec. 91.103. PERSONS REQUIRED TO EXECUTE BOND, LETTER OF
CREDIT, OR CASH DEPOSIT. (a) Any person, including any firm,
partnership, joint stock association, corporation, or other
organization, required to file an organization report under Section
91.142 of this code shall execute and file with the commission a
bond, letter of credit, or cash deposit.

(b) This section does not apply to a person who has no

1 responsibility over a wellbore, including a water hauler, pipeline
2 company, or well plugger.

3 SECTION 3. This Act takes effect immediately if it receives
4 a vote of two-thirds of all the members elected to each house, as
5 provided by Section 39, Article III, Texas Constitution. If this
6 Act does not receive the vote necessary for immediate effect, this
7 Act takes effect September 1, 2003.

**HOUSE
COMMITTEE REPORT**^{03 APR 23 PM 10:05}
1st Printing HOUSE OF REPRESENTATIVES

By: Chisum, Rose

H.B. No. 942

Substitute the following for H.B. No. 942:

By: Farabee

C.S.H.B. No. 942

A BILL TO BE ENTITLED

AN ACT

relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.109(b), Natural Resources Code, as effective September 1, 2004, is amended to read as follows:

(b) In addition to the financial security requirements of Subsection (a) and Section 91.104(b), a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule [~~in an amount equal to~~]:

(1) no bond, letter of credit, or cash deposit if the person is a:

(A) local distribution company;

(B) gas marketer;

(C) crude oil nominator;

(D) first purchaser;

(E) well servicing company;

(F) survey company;

(G) salt water hauler;

1 (H) gas nominator;

2 (I) gas purchaser; or

3 (J) well plugger [\$250,000]; or

4 (2) a bond, letter of credit, or cash deposit in an
5 amount not to exceed \$25,000 if the person is involved in an
6 activity that is not associated with the ownership or operation of
7 wells and is not listed in Subdivision (1) [a lesser amount
8 ~~determined by the commission if the person is able to demonstrate~~
9 ~~that the risk associated with an operation or group of operations~~
10 ~~warrants a lesser amount].~~

11 SECTION 2. This Act takes effect September 1, 2004.

COMMITTEE REPORT

The Honorable Tom Craddick
Speaker of the House of Representatives

4-17-03
(date)

Sir:

We, your COMMITTEE ON ENERGY RESOURCES
to whom was referred HB 942 have had the same under consideration and beg to report
back with the recommendation that it

() do pass, without amendment.
() do pass, with amendment(s).
(X) do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.

(X) yes () no A fiscal note was requested.
() yes (X) no A criminal justice policy impact statement was requested.
() yes (X) no An equalized educational funding impact statement was requested.
() yes (X) no An actuarial analysis was requested.
() yes (X) no A water development policy impact statement was requested.
(X) yes () no A tax equity note was requested.

(X) The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars.

For Senate Measures: House Sponsor _____

Joint Sponsors: _____ / _____ / _____

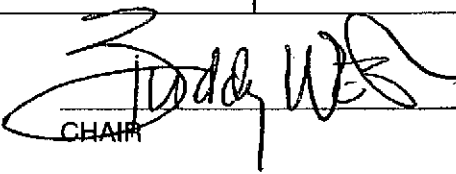
Co-Sponsors: _____

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
West, Chair	✓			
Farabee, Vice-chair				✓
Canales				✓
Crabb	✓			
Delisi	✓			
Jones, E.	✓			
Keffer	✓			

Total

5 aye
0 nay
0 present, not voting
2 absent


CHAIR

BILL ANALYSIS

C.S.H.B. 942
By: Chisum
Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In an effort to reduce the number of orphan oil and gas wells (inactive wells that will likely have to be plugged by the state) the 77th legislature enacted a series of changes, establishing that all companies that conduct operations within the Railroad Commission's jurisdiction would have to post a bond, letter of credit, or cash deposit as part of their annual registration with the commission. If a company fails to provide the requisite financial assurance it cannot conduct operations. The purpose of these changes was to provide the state with a source of funds to clean-up pollution or plug abandoned wells if the responsible operator was unable or unwilling to do so.

This bill establishes that in addition to financial security requirements required of a person who is required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit. This bill provides a bond, letter of credit, or cash deposit exception for certain for operators. In addition, a maximum bond, letter of credit, or cash deposit amount is set not to exceed \$25,000.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Section 91.109(b), Natural Resources Code, as effective September 1, 2004, is amended as follows:

(b In addition to financial security requirements of Subsection 91.104(b), this section requires that a person who must file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule:

(1) no bond, letter of credit, or cash deposit if the person is a:

- (A) local distribution company;
- (B) gas marketer;
- (C) crude oil nominator;
- (D) first purchaser;
- (E) well servicing company;
- (F) survey company;
- (G) salt water hauler;
- (H) gas nominator;
- (I) gas purchaser; or
- (J) well plugger; or

(2) a bond, letter of credit, or cash deposit in an amount not to exceed \$25,000 if the person is involved in an activity that is not associated with the ownership or operation

operation of wells and is not listed in Subdivision (1).

SECTION 2. This Act takes effect September 1, 2004.

EFFECTIVE DATE

This Act take effect September 1, 2004.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Removes SECTION1. Section 91.103, Natural Resources Code, PERSONS REQUIRED TO EXECUTE BOND OR ALTERNATE FORM OF FINANCIAL SECURITY and replaces SECTION1. with Section 91.109(b), Natural Resources Code.

Section 91.109 (b), Natural Resources Code adds the following language:

(b) Adds "ownership or" and adds "according to the following schedule" and deletes "in amount equal to" to this section.

CSHB 942 adds new language in 91.109(b) (1) to read as follows:

(1) no bond, letter of credit, or cash deposit if the person is a:

- (A) local distribution company;
- (B) gas marketer;
- (C) crude oil nominator;
- (D) first purchaser;
- (E) well servicing company;
- (F) survey company;
- (G) salt water hauler;
- (H) gas nominator;
- (I) gas purchaser; or
- (J) well plugger; or

CSHB 942 adds section 91.109 (b) (2) to read as follows:

(b)(2) a bond, letter of credit, or cash deposit in an amount not to exceed \$25,000 if the person is involved in an activity that is not associated with the ownership or operation of wells and is not listed in Subdivision(1).

CSHB 942 deletes "a lesser amount determined by the commission of the person is able to demonstrate that the risk associated with an operation or group of operations warrants a lesser amount" from 91.109 (b)(2).

CSHB 942 removes SECTION 2. Section 91.103, Natural Resources Code, PERSONS REQUIRED TO EXECUTE BOND, LETTER OF CREDIT, OR CASH DEPOSIT from the substitute.

CSHB 942 changes the effective date from September 1, 2003 to September 1, 2004.

SUMMARY OF COMMITTEE ACTION

HB 942

March 20, 2003 8:00AM

Considered in public hearing

Testimony taken in committee (See attached witness list.)

Left pending in committee

April 10, 2003 8:00AM

Considered in public hearing

Committee substitute considered in committee

Reported favorably as substituted

April 17, 2003 12:30AM or upon final adjourn./recess

Considered in formal meeting

Vote reconsidered in committee

Recommended to be sent to Local & Consent

Reported favorably as substituted

WITNESS LIST

HB 942
HOUSE COMMITTEE REPORT
Energy Resources Committee

March 20, 2003 - 8:00AM

On: Poe, Timothy A. (Texas Railroad Commission)
Seni, Steven (Texas Railroad Commission)

Registering, but not testifying:

For: Allday, Marty (Copano Energy)
Allday, Marty (Enbridge Energy)
Mann, James (Texas Pipeline Association)
Nugent, Patrick (Texas Pipeline Association)
Olson, Kym (El Paso Corp.)
Patton, Charles (American Electric Power--Houston
Pipeline Company)
Stevens, Bill (Texas Alliance of Energy Producers)
Woodard, Shayne (Duke Energy)
Woodard, Shayne (Sunoco)

Against: Small, Ed (Texas and Southwestern Cattle Raisers
Association)

On: Helmueller, Mark (Texas Railroad Commission)
LaHood, Debbie (Texas Railroad Commission)
Ross, Charles (Texas Railroad Commission)
Tintera, John (Texas Railroad Commission)

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 17, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would exempt certain non-well operators from financial assistance requirements and subject other non-well operators to a bond, letter of credit or cash deposit of \$25,000. The current financial assurance requirement for non-well operators is \$250,000.

The bill could expose the Railroad Commission to greater liability for site cleanups, since certain operators would be required to have reduced or no financial assurance. However, the cost of additional cleanups that would not be covered by the \$25,000 financial assurance requirement are not expected to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 19, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain exemptions from bond requirements for certain well operators.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB942, As Introduced: an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is June 1, 2003; or an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is September 1, 2003.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Six-Year Impact:

Fiscal Year	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i>	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i>
	145	145
2003	(\$187,484)	(\$241,500)
2004	(\$749,936)	(\$966,000)
2005	(\$749,936)	\$0
2006	(\$749,936)	\$0
2007	(\$749,936)	\$0
2008	(\$749,936)	\$0

Scenario 1 assumes the bill would take effect on June 1, 2003. Amounts are calculated at 25 percent of the annual amounts for years beginning in fiscal year 2004.

Fiscal Year	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i>	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT</i>
	145	145
2004	(\$966,000)	(\$749,363)
2005	\$0	(\$749,363)
2006	\$0	(\$749,363)
2007	\$0	(\$749,363)
2008	\$0	(\$749,363)

Fiscal Analysis

The bill would exempt non-well operators, such as water haulers, pipeline companies and well pluggers from bonding or alternative forms of financial security requirements in Natural Resources Code, Section 91.103 until September 1, 2004. After September 1, 2004, such entities would be exempt from bonding, letter of credit and cash deposit requirements Code, Section 91.103. The bill would take effect immediately if it receives two-thirds vote in both houses. Otherwise, it would take effect on September 1, 2003.

Methodology

Under current law, the Railroad Commission is authorized to collect, until September 1, 2004, an "alternate form" of financial assurance. The agency has been collecting alternate forms of financial assurance in the form of nonrefundable fees that are deposited to the credit of the Oil Field Cleanup Account No. 145. Since the bill would exempt non-well operators from financial assurance requirements, it is estimated that the bill's passage would result in a \$966,000 decrease in revenues in fiscal year 2004, based on the amount of fees-in-lieu of bonding currently being paid by 438 non-well operators without bonding. This loss is only expected in fiscal year 2004, (and in the final months of fiscal year 2003, if the bill were to become effective immediately) since provisions for alternate forms of payment expire on September 1, 2004.

The bill's provisions exempting non-well operators from financial assurance requirements are expected to result in an increase in the number of abandoned wells requiring plugging at the expense of the state. It is estimated this would result in increased costs to the state of \$749,936 per year. This estimate is based on the assumption that three of the 438 non-well operators without bonding would require plugging at the expense of the Commission each year. This estimate assumes that two of those sites would be standard non-well site cleanups at an average cost of \$58,968 per site, based on the average cleanup costs for non-well sites in 2001. The remaining one site per year is expected to be a major cleanup of a pipeline-related facility. Cleanup costs for such a facility is estimated to be \$632,000 per site, according to the Railroad Commission. This estimate assumes that all such costs would be paid out of the Oil Field Cleanup Account No. 145.

Technology

Some programming changes at the Railroad Commission are expected. However, these are not anticipated to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

78TH LEGISLATIVE REGULAR SESSION

Revision 1

April 16, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership and operation of wells.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source Agencies:

LBB Staff: JK, SJS

ADOPTED

MAY 06 2003

Robert H. Hargis
Chief Clerk
House of Representatives

By: Chisum

H.B. No. 942

Substitute the following for H.B. No. 942 :

By: Farabee

C.S. H.B. No. 942

A BILL TO BE ENTITLED

AN ACT

relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.109(b), Natural Resources Code, as effective September 1, 2004, is amended to read as follows:

(b) In addition to the financial security requirements of Subsection (a) and Section 91.104(b), a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule [~~in an amount equal to~~]:

(1) no bond, letter of credit, or cash deposit if the person is a:

(A) local distribution company;

(B) gas marketer;

(C) crude oil nominator;

(D) first purchaser;

(E) well servicing company;

(F) survey company;

(G) salt water hauler;

1 (H) gas nominator;

2 (I) gas purchaser; or

3 (J) well plugger [\$250,000]; or

4 (2) a bond, letter of credit, or cash deposit in an
5 amount not to exceed \$25,000 if the person is involved in an
6 activity that is not associated with the ownership or operation of
7 wells and is not listed in Subdivision (1) [a lesser amount
8 determined by the commission if the person is able to demonstrate
9 that the risk associated with an operation or group of operations
10 warrants a lesser amount].

11 SECTION 2. This Act takes effect September 1, 2004.

HOUSE ENGROSSMENT

By: Chisum, Rose

H.B. No. 942

A BILL TO BE ENTITLED

AN ACT

relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.109(b), Natural Resources Code, as effective September 1, 2004, is amended to read as follows:

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5 amount not to exceed \$25,000 if the person is involved in an
6 activity that is not associated with the ownership or operation of
7 wells and is not listed in Subdivision (1) [a lesser amount
8 ~~determined by the commission if the person is able to demonstrate~~
9 ~~that the risk associated with an operation or group of operations~~
10 ~~warrants a lesser amount].~~

11 SECTION 2. This Act takes effect September 1, 2004.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 17, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB942** by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would exempt certain non-well operators from financial assistance requirements and subject other non-well operators to a bond, letter of credit or cash deposit of \$25,000. The current financial assurance requirement for non-well operators is \$250,000.

The bill could expose the Railroad Commission to greater liability for site cleanups, since certain operators would be required to have reduced or no financial assurance. However, the cost of additional cleanups that would not be covered by the \$25,000 financial assurance requirement are not expected to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 19, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB942** by Chisum (Relating to certain exemptions from bond requirements for certain well operators.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB942, As Introduced: an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is June 1, 2003; or an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is September 1, 2003.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Six-Year Impact:

Fiscal Year	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2003	(\$187,484)	(\$241,500)
2004	(\$749,936)	(\$966,000)
2005	(\$749,936)	\$0
2006	(\$749,936)	\$0
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2008	(\$749,936)	\$0

Scenario 1 assumes the bill would take effect on June 1, 2003. Amounts are calculated at 25 percent of the annual amounts for years beginning in fiscal year 2004.

Fiscal Year	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2004	(\$966,000)	(\$749,363)
2005	\$0	(\$749,363)
2006	\$0	(\$749,363)
2007	\$0	(\$749,363)
2008	\$0	(\$749,363)

Fiscal Analysis

The bill would exempt non-well operators, such as water haulers, pipeline companies and well pluggers from bonding or alternative forms of financial security requirements in Natural Resources Code, Section 91.103 until September 1, 2004. After September 1, 2004, such entities would be exempt from bonding, letter of credit and cash deposit requirements Code, Section 91.103. The bill would take effect immediately if it receives two-thirds vote in both houses. Otherwise, it would take effect on September 1, 2003.

Methodology

Under current law, the Railroad Commission is authorized to collect, until September 1, 2004, an "alternate form" of financial assurance. The agency has been collecting alternate forms of financial assurance in the form of nonrefundable fees that are deposited to the credit of the Oil Field Cleanup Account No. 145. Since the bill would exempt non-well operators from financial assurance requirements, it is estimated that the bill's passage would result in a \$966,000 decrease in revenues in fiscal year 2004, based on the amount of fees-in-lieu of bonding currently being paid by 438 non-well operators without bonding. This loss is only expected in fiscal year 2004, (and in the final months of fiscal year 2003, if the bill were to become effective immediately) since provisions for alternate forms of payment expire on September 1, 2004.

The bill's provisions exempting non-well operators from financial assurance requirements are expected to result in an increase in the number of abandoned wells requiring plugging at the expense of the state. It is estimated this would result in increased costs to the state of \$749,936 per year. This estimate is based on the assumption that three of the 438 non-well operators without bonding would require plugging at the expense of the Commission each year. This estimate assumes that two of those sites would be standard non-well site cleanups at an average cost of \$58,968 per site, based on the average cleanup costs for non-well sites in 2001. The remaining one site per year is expected to be a major cleanup of a pipeline-related facility. Cleanup costs for such a facility is estimated to be \$632,000 per site, according to the Railroad Commission. This estimate assumes that all such costs would be paid out of the Oil Field Cleanup Account No. 145.

Technology

Some programming changes at the Railroad Commission are expected. However, these are not anticipated to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD

Austin, Texas

TAX/FEE EQUITY NOTE

78TH LEGISLATIVE REGULAR SESSION

Revision 1

April 16, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB942** by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership and operation of wells.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source Agencies:

LBB Staff: JK, SJS

BILL ANALYSIS

Senate Research Center
78R11318 MI/SMH-F

H.B. 942
By: Chisum (Hinojosa)
Natural Resources
5/21/2003
Engrossed

DIGEST AND PURPOSE

In an effort to reduce the number of orphan oil and gas wells (inactive wells that will likely have to be plugged by the state) the 77th Legislature enacted a series of changes, establishing that any company that conducts operations within the Railroad Commission's jurisdiction would have to post a bond, letter of credit, or cash deposit as part of the annual registration with the commission. If a company fails to provide the requisite financial assurance it cannot conduct operations. The purpose of those changes was to provide the state with a source of funds to clean up pollution or plug abandoned wells if the responsible operator was unable or unwilling to do so. H.B. 942 establishes financial security requirements for certain persons engaged in activities regulated by the Texas Railroad Commission other than the ownership or operation of wells.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Section 91.109(b), Natural Resources Code, as effective September 1, 2004, to provide that in addition to the financial security requirements of Subsection (a) and Section 91.104(b), a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to certain schedules. Deletes text providing for an amount of \$250,000 or a lesser amount be determined by the Texas Railroad Commission if the person is able to demonstrate the risk associated with an operation warrants a lesser amount.

SECTION 2. Effective date: September 1, 2004.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 9, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would exempt certain non-well operators from financial assistance requirements and subject other non-well operators to a bond, letter of credit or cash deposit of \$25,000. The current financial assurance requirement for non-well operators is \$250,000.

The bill could expose the Railroad Commission to greater liability for site cleanups, since certain operators would be required to have reduced or no financial assurance. However, the cost of additional cleanups that would not be covered by the \$25,000 financial assurance requirement are not expected to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

1-1 By: Chisom, Rose (Senate Sponsor - Hinojosa) H.B. No. 942
1-2 (In the Senate - Received from the House May 7, 2003;
1-3 May 9, 2003, read first time and referred to Committee on Natural
1-4 Resources; May 26, 2003, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 9, Nays 0;
1-6 May 26, 2003, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 942

By: Hinojosa

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to certain bond requirements for persons engaged in
1-11 certain activities under the jurisdiction of the Railroad
1-12 Commission of Texas other than the ownership or operation of wells.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Section 91.104(b), Natural Resources Code, as
1-15 effective September 1, 2004, is amended to read as follows:

1-16 (b) A person required to file a bond, letter of credit, or
1-17 cash deposit under Section 91.103 who is an inactive operator or who
1-18 operates one or more wells ~~[and is not involved in any other~~
1-19 ~~activities that require the filing of a bond, letter of credit, or~~
1-20 ~~cash deposit]~~ must, at the time of filing or renewing an
1-21 organization report required by Section 91.142, file:

1-22 (1) an individual bond as provided under Section
1-23 91.1041;

1-24 (2) a blanket bond as provided under Section 91.1042;
1-25 or

1-26 (3) a letter of credit or cash deposit in the same
1-27 amount as required for an individual bond under Section 91.1041 or a
1-28 blanket bond under Section 91.1042.

1-29 SECTION 2. Section 91.109, Natural Resources Code, as
1-30 effective until September 1, 2004, is amended to read as follows:

1-31 Sec. 91.109. FINANCIAL SECURITY FOR PERSONS INVOLVED IN
1-32 ACTIVITIES OTHER THAN OPERATION OF WELLS ~~[Disposal Site Bond]~~.

1-33 (a) A person applying for or acting under a commission permit to
1-34 store, handle, treat, reclaim, or dispose of oil and gas waste may
1-35 be required by the commission to maintain a performance bond or
1-36 other form of financial security conditioned that the permittee
1-37 will operate and close the storage, handling, treatment,
1-38 reclamation, or disposal site in accordance with state law,
1-39 commission rules, and the permit to operate the site. However, this
1-40 section does not authorize the commission to require a bond or other
1-41 form of financial security for saltwater disposal pits, emergency
1-42 saltwater storage pits (including blow-down pits), collecting
1-43 pits, or skimming pits provided that such pits are used in
1-44 conjunction with the operation of an individual oil or gas lease.
1-45 Subject to the refund provisions of Section 91.1091 of this code,
1-46 proceeds from any bond or other form of financial security required
1-47 by this section shall be placed in the oil-field cleanup fund. Each
1-48 bond or other form of financial security shall be renewed and
1-49 continued in effect until the conditions have been met or release is
1-50 authorized by the commission.

1-51 (b) In addition to the financial security requirements of
1-52 Subsection (a), a person required to file a bond or alternate form
1-53 of financial security under Section 91.103 who is involved in
1-54 activities other than the ownership or operation of wells must file
1-55 the bond or alternate form of financial security at the time of
1-56 filing or renewing an organization report required by Section
1-57 91.142 according to the following schedule:

1-58 (1) no bond, letter of credit, or cash deposit if the
1-59 person is a:

1-60 (A) local distribution company;

1-61 (B) gas marketer

1-62 (C) crude oil nominator;

1-63 (D) first purchaser;

- (E) well servicing company;
- (F) survey company;
- (G) salt water hauler;
- (H) gas nominator;
- (I) gas purchaser; or
- (J) well plugger; or

(2) a bond, letter of credit, or cash deposit in an amount not to exceed \$25,000 if the persons involved in an activity that is not associated with the ownership or operation of wells and is not listed in Subdivision (1).

(c) A person who engages in more than one activity or operation, including well operation, for which a bond or alternate form of financial security is required under this subchapter is not required to file a separate bond or alternate form of financial security for each activity or operation in which the person is engaged. The person is required to file a bond or alternate form of financial security only in the amount required for the activity or operation in which the person engages for which a bond or alternate form of financial security in the greatest amount is required. The bond or alternate form of financial security filed covers all of the activities and operations for which a bond or alternate form of financial security is required under this subchapter.

SECTION 3. Section 91.109, Natural Resources Code, as effective September 1, 2004, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) In addition to the financial security requirements of Subsection (a) [~~and Section 91.104(b)~~], a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule [~~in an amount equal to~~]:

(1) no bond, letter of credit, or cash deposit if the person is a:

- (A) local distribution company;
- (B) gas marketer;
- (C) crude oil nominator;
- (D) first purchaser;
- (E) well servicing company;
- (F) survey company;
- (G) salt water hauler;
- (H) gas nominator;
- (I) gas purchaser; or
- (J) well plugger [\$250,000]; or

(2) a bond, letter of credit, or cash deposit in an amount not to exceed \$25,000 if the person is involved in an activity that is not associated with the ownership or operation of wells and is not listed in Subdivision (1) [~~a lesser amount determined by the commission if the person is able to demonstrate that the risk associated with an operation or group of operations warrants a lesser amount~~].

(c) A person who engages in more than one activity or operation, including well operation, for which a bond, letter of credit, or cash deposit is required under this subchapter is not required to file a separate bond, letter of credit, or cash deposit for each activity or operation in which the person is engaged. The person is required to file a bond, letter of credit, or cash deposit only in the amount required for the activity or operation in which the person engages for which a bond, letter of credit, or cash deposit in the greatest amount is required. The bond, letter of credit, or cash deposit filed covers all of the activities and operations for which a bond, letter of credit, or cash deposit is required under this subchapter.

SECTION 4. Section 91.142(g), Natural Resources Code, is amended to read as follows:

(g) An organization report filed under this section must be accompanied by the following fee:

- (1) for an operator of not more than 25 wells, \$300;

(2) for an operator of more than 25 but not more than 100 wells, \$500;

(3) for an operator of more than 100 wells, \$1,000;

(4) for an operator of one or more natural gas pipelines as classified by the commission, \$225 [~~\$100~~];

(5) for an operator of one or more service activities or facilities [~~, including liquids pipelines as classified by the commission,~~] who does not operate any wells, an amount determined by the commission but not less than \$300 or more than \$500;

(6) for an operator of one or more liquids pipelines as classified by the commission who does not operate any wells, an amount determined by the commission but not less than \$425 or more than \$625;

(7) [~~(6)~~] for an operator of one or more service activities or facilities, including liquids pipelines as classified by the commission, who also operates one or more wells, an amount determined by the commission based on the sum of the amounts provided by the applicable subdivisions of this subsection but not less than \$425 [~~\$300~~] or more than \$1,125 [~~\$1,000~~]; and

(8) [~~(7)~~] for an entity not currently performing operations under the jurisdiction of the commission, \$300.

SECTION 5. This Act takes effect September 1, 2003.

* * * * *

FAVORABLY AS SUBSTITUTED
SENATE COMMITTEE REPORT ON

SB SCR SJR SR HB HCR HJR 942

By

Chusum Hinojosa
(Author/Senate Sponsor)

5/23/03
(date)

26

We, your Committee on NATURAL RESOURCES, to which was referred the attached measure,
have on 5/22/03, had the same under consideration and I am instructed to report it
(date of hearing)
back with the recommendation (s) that it:

- ☒ do pass as substituted, and be printed
☒ the caption remained the same as original measure
☒ the caption changed with adoption of the substitute
☐ do pass as substituted, and be ordered not printed
☒ and is recommended for placement on the Local and Uncontested Bills Calendar.

A fiscal note was requested. ☒ yes ☐ no

A revised fiscal note was requested. ☒ yes ☐ no

An actuarial analysis was requested. ☐ yes ☒ no

Considered by subcommittee. ☐ yes ☒ no

The measure was reported from Committee by the following vote:

	YEA	NAY	ABSENT	PNV
Senator Armbrister, Chair	<input checked="" type="checkbox"/>			
Senator Jackson, Vice-Chair	<input checked="" type="checkbox"/>			
Senator Barrientos	<input checked="" type="checkbox"/>			
Senator Duncan			<input checked="" type="checkbox"/>	
Senator Estes	<input checked="" type="checkbox"/>			
Senator Fraser	<input checked="" type="checkbox"/>			
Senator Hinojosa	<input checked="" type="checkbox"/>			
Senator Lindsay	<input checked="" type="checkbox"/>			
Senator Lucio	<input checked="" type="checkbox"/>			
Senator Shapiro			<input checked="" type="checkbox"/>	
Senator Staples	<input checked="" type="checkbox"/>			
TOTAL VOTES	9	0	2	0

COMMITTEE ACTION

S260 Considered in public hearing

S270 Testimony taken

Kelly C. Gilbert
COMMITTEE CLERK

[Signature]
CHAIRMAN

Paper clip the original and one copy of this signed form to the original bill along with TWO copies of the Committee Substitute
Retain one copy of this form for Committee files

WITNESS LIST

HB 942

SENATE COMMITTEE REPORT

Natural Resources

May 22, 2003 - 10:00AM

FOR: Sebree, Ben Association Manager (Texas Oil & Gas Association), Austin, TX

ON: Poe, Timothy (Railroad Commission of Texas), Austin, TX

Registering, but not testifying:

FOR: Allday, Mary (Copano Energy and Enbridge Energy), Houston, TX
Anderson, Lisa (Devon Energy & Shell Oil), Austin, TX
Golemon, R. Kinnan Attorney (Devon Energy & Shell Oil), Austin, TX
Nugent, Patrick Executive Director (Texas Pipeline Association), Austin, TX
Olson, Kym (El Paso Corporation), Houston, TX
Sander, Lindsay Government Affairs (Enbridge Energy Co.), Houston, TX
Stevens, Bill Executive Vice-President (Texas Alliance of Energy Producers), Abilene, TX

BILL ANALYSIS

Senate Research Center

C.S.H.B. 942
By: Chisum (Hinojosa)
Natural Resources
5/24/2003
Committee Report (Substituted)

DIGEST AND PURPOSE

In an effort to reduce the number of orphan oil and gas wells (inactive wells that will likely have to be plugged by the state) the 77th Legislature enacted a series of changes, establishing that any company that conducts operations within the Railroad Commission's jurisdiction would have to post a bond, letter of credit, or cash deposit as part of the annual registration with the commission. If a company fails to provide the requisite financial assurance it cannot conduct operations. The purpose of those changes was to provide the state with a source of funds to clean up pollution or plug abandoned wells if the responsible operator was unable or unwilling to do so. C.S.H.B. 942 establishes financial security requirements for certain persons engaged in activities regulated by the Texas Railroad Commission other than the ownership or operation of wells.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 91.104(b), Natural Resources Code, as effective September 1, 2004, to delete text regarding a person required to file a bond who is not involved in any other activities that require the filing of a bond, letter of credit, or cash deposit.

SECTION 2. Amends Section 91.109, Natural Resources Code, as effective until September 1, 2004, as follows:

Sec. 91.109. New heading: FINANCIAL SECURITY FOR PERSONS INVOLVED IN ACTIVITIES OTHER THAN OPERATION OF WELLS. (a) Created from existing text.

(b) Requires a person required to file a bond or alternate form of financial security under Section 91.103 who is involved in activities other than the ownership or operation of wells, in addition to the financial security requirements of Subsection (a), to file the bond or alternate form of financial security at the time of filing or renewing an organization report required by Section 91.142 according to a certain schedule.

(c) Provides that a person who engages in more than one activity or operation, including well operation, for which a bond or alternate form of financial security is required under this subchapter is not required to file a separate bond or alternate form of financial security for each activity or operation in which the person is engaged. Provides that the person is required to file a bond or alternate form of financial security only in the amount required for the activity or operation in which the person engages for which a bond or alternate form of financial security in the greatest amount is required. Provides that the bond or alternate form of financial security filed covers all of the activities and operations for which a bond or alternate form of financial security is required under this subchapter.

SECTION 3. Amends Section 91.109, Natural Resources Code, as effective September 1, 2004, by amending Subsection (b) and adding Subsection (c), as follows:

(b) Provides that in addition to the financial security requirements of Subsection (a), but not Section 91.104(b), a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to certain schedules. Deletes text providing for an amount of \$250,000 or a lesser amount be determined by the Texas Railroad Commission if the person is able to demonstrate the risk associated with an operation warrants a lesser amount.

(c) Provides that a person who engages in more than one activity or operation, including well operation, for which a bond, letter of credit, or cash deposit is required under this subchapter is not required to file a separate bond, letter of credit, or cash deposit for each activity or operation in which the person is engaged. Provides that the person is required to file a bond, letter of credit, or cash deposit only in the amount required for the activity or operation in which the person engages for which a bond, letter of credit, or cash deposit in the greatest amount is required. Provides that the bond, letter of credit, or cash deposit filed covers all of the activities and operations for which a bond, letter of credit, or cash deposit is required under this subchapter.

SECTION 4. Amends Section 91.142(g), Natural Resources Code, to require an organization report filed under this section to be accompanied by a certain fee.

SECTION 5. Effective date: September 1, 2004.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 23, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB942** by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB942, Committee Report 2nd House. Substituted: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2004	\$100,000	(\$100,000)
2005	\$70,000	(\$70,000)
2006	\$70,000	(\$70,000)
2007	\$70,000	(\$70,000)
2008	\$70,000	(\$70,000)

Fiscal Analysis

The bill would provide exemptions for certain non-well operators. Other non-exempt non-well operators would be required to file a bond, other financial assurance or cash deposit up to \$25,000.

The bill would provide that a person engaged in more than one activity or operation would only have to file one bond or other form of financial assurance for the activity for which the amount is the greatest.

In addition, the bill would increase by \$125 the following fees: the fee paid by an operator of one or more natural gas pipelines; the range of fees the Railroad Commission is authorized to charge for an operator of one or more pipelines carrying liquids; and the range of fees the Railroad Commission is

authorized to charge for an operator on one or more service activities or facilities operating one or more wells.

Methodology

The increase in fees provided by the bill is estimated by the Railroad Commission to result in additional revenues to the Oil Field Cleanup Account No. 145 by \$100,000 in fiscal year 2004 and by \$70,000 in fiscal year 2005. This estimate assumes all such revenues would be expended on additional cleanup activities, for which demand is expected to exist beyond available revenues.

According to the Railroad Commission, under current law operators with non-well activities would be required in the future to file financial assurance of \$250,000 or a lesser amount based on risk as determined by the Commission. Since the bill exempts certain categories of non-well activities from the bonding requirement and reduces the bond amount to \$25,000 for other activities, the bill could result in the state being exposed to greater liability in terms of sites requiring cleanups using proceeds of the Oil Field Cleanup Account No. 145.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, CL, TL

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 9, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would exempt certain non-well operators from financial assistance requirements and subject other non-well operators to a bond, letter of credit or cash deposit of \$25,000. The current financial assurance requirement for non-well operators is \$250,000.

The bill could expose the Railroad Commission to greater liability for site cleanups, since certain operators would be required to have reduced or no financial assurance. However, the cost of additional cleanups that would not be covered by the \$25,000 financial assurance requirement are not expected to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 17, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would exempt certain non-well operators from financial assistance requirements and subject other non-well operators to a bond, letter of credit or cash deposit of \$25,000. The current financial assurance requirement for non-well operators is \$250,000.

The bill could expose the Railroad Commission to greater liability for site cleanups, since certain operators would be required to have reduced or no financial assurance. However, the cost of additional cleanups that would not be covered by the \$25,000 financial assurance requirement are not expected to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 19, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain exemptions from bond requirements for certain well operators.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB942, As Introduced: an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is June 1, 2003; or an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is September 1, 2003.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Six-Year Impact:

Fiscal Year	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i>	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i>
	145	145
2003	(\$187,484)	(\$241,500)
2004	(\$749,936)	(\$966,000)
2005	(\$749,936)	\$0
2006	(\$749,936)	\$0
2007	(\$749,936)	\$0
2008	(\$749,936)	\$0

Scenario 1 assumes the bill would take effect on June 1, 2003. Amounts are calculated at 25 percent of the annual amounts for years beginning in fiscal year 2004.

Fiscal Year	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i>	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT</i>
	145	145
2004	(\$966,000)	(\$749,363)
2005	\$0	(\$749,363)
2006	\$0	(\$749,363)
2007	\$0	(\$749,363)
2008	\$0	(\$749,363)

Fiscal Analysis

The bill would exempt non-well operators, such as water haulers, pipeline companies and well pluggers from bonding or alternative forms of financial security requirements in Natural Resources Code, Section 91.103 until September 1, 2004. After September 1, 2004, such entities would be exempt from bonding, letter of credit and cash deposit requirements Code, Section 91.103. The bill would take effect immediately if it receives two-thirds vote in both houses. Otherwise, it would take effect on September 1, 2003.

Methodology

Under current law, the Railroad Commission is authorized to collect, until September 1, 2004, an "alternate form" of financial assurance. The agency has been collecting alternate forms of financial assurance in the form of nonrefundable fees that are deposited to the credit of the Oil Field Cleanup Account No. 145. Since the bill would exempt non-well operators from financial assurance requirements, it is estimated that the bill's passage would result in a \$966,000 decrease in revenues in fiscal year 2004, based on the amount of fees-in-lieu of bonding currently being paid by 438 non-well operators without bonding. This loss is only expected in fiscal year 2004, (and in the final months of fiscal year 2003, if the bill were to become effective immediately) since provisions for alternate forms of payment expire on September 1, 2004.

The bill's provisions exempting non-well operators from financial assurance requirements are expected to result in an increase in the number of abandoned wells requiring plugging at the expense of the state. It is estimated this would result in increased costs to the state of \$749,936 per year. This estimate is based on the assumption that three of the 438 non-well operators without bonding would require plugging at the expense of the Commission each year. This estimate assumes that two of those sites would be standard non-well site cleanups at an average cost of \$58,968 per site, based on the average cleanup costs for non-well sites in 2001. The remaining one site per year is expected to be a major cleanup of a pipeline-related facility. Cleanup costs for such a facility is estimated to be \$632,000 per site, according to the Railroad Commission. This estimate assumes that all such costs would be paid out of the Oil Field Cleanup Account No. 145.

Technology

Some programming changes at the Railroad Commission are expected. However, these are not anticipated to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

78TH LEGISLATIVE REGULAR SESSION
Revision 1

April 16, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership and operation of wells.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source Agencies:

LBB Staff: JK, SJS

REQUEST FOR LOCAL & UNCONTESTED CALENDAR PLACEMENT

SENATOR CHRIS HARRIS, CHAIRMAN
SENATE COMMITTEE ON ADMINISTRATION

Notice is hereby given that HB 942, by Chrisum / Hinojosa,
(Bill No.) (Author/Sponsor)
was heard by the Committee on Natural Resources on 5/22, 2003,
and reported out with the recommendation that it be placed on the Local and Uncontested Calendar.

Kelly C. Millett
(Clerk of the reporting committee)

IMPORTANT: A COPY OF THIS FORM MUST BE ATTACHED TO A COMMITTEE PRINTED VERSION OF THE BILL OR RESOLUTION AND SHOULD BE DELIVERED TO THE ADMINISTRATION COMMITTEE OFFICE, E1.714. DEADLINES FOR SUBMITTING BILLS AND RESOLUTIONS WILL BE ANNOUNCED ON A REGULAR BASIS.

ADOPTED

MAY 28 2003

Antony Davis
Secretary of the Senate

By: *J. J. Arroyo*

Substitute the following for ____ B. No. ____:

By: *J. J. Arroyo*

H.B. No. 942

C.S. *H.B. No. 942*

A BILL TO BE ENTITLED

AN ACT

relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.104(b), Natural Resources Code, as effective September 1, 2004, is amended to read as follows:

(b) A person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is an inactive operator or who operates one or more wells ~~[and is not involved in any other activities that require the filing of a bond, letter of credit, or cash deposit]~~ must, at the time of filing or renewing an organization report required by Section 91.142, file:

(1) an individual bond as provided under Section 91.1041;
(2) a blanket bond as provided under Section 91.1042; or
(3) a letter of credit or cash deposit in the same amount as required for an individual bond under Section 91.1041 or a blanket bond under Section 91.1042.

SECTION 2. Section 91.109, Natural Resources Code, as effective until September 1, 2004, is amended to read as follows:

1 Sec. 91.109. FINANCIAL SECURITY FOR PERSONS INVOLVED IN ACTIVITIES OTHER
2 THAN OPERATION OF WELLS ^(IN ALL CASES) ~~(Disposal Site Bond)~~. (a) A person applying for
3 or acting under a commission permit to store, handle, treat,
4 reclaim, or dispose of oil and gas waste may be required by the
5 commission to maintain a performance bond or other form of
6 financial security conditioned that the permittee will operate and
7 close the storage, handling, treatment, reclamation, or disposal
8 site in accordance with state law, commission rules, and the permit
9 to operate the site. However, this section does not authorize the
10 commission to require a bond or other form of financial security
11 for saltwater disposal pits, emergency saltwater storage pits
12 (including blow-down pits), collecting pits, or skimming pits
13 provided that such pits are used in conjunction with the operation
14 of an individual oil or gas lease. Subject to the refund provisions
15 of Section 91.1091 of this code, proceeds from any bond or other
16 form of financial security required by this section shall be placed
17 in the oil-field cleanup fund. Each bond or other form of financial
18 security shall be renewed and continued in effect until the
19 conditions have been met or release is authorized by the
20 commission.

21 (b) In addition to the financial security requirements of
22 Subsection (a), a person required to file a bond or alternate form
23 of financial security under Section 91.103 who is involved in
24 activities other than the ownership or operation of wells must file
25 the bond or alternate form of financial security at the time of

1 filing or renewing an organization report required by Section
2 91.142[✓] according to the following schedule:

3 44 (1) no bond, letter of credit, or cash deposit if the
4 person is a:

5 44 (A) local distribution company;

6 (B) gas marketer;

7 (C) crude oil nominator;

8 (D) first purchaser;

9 (E) well servicing company;

10 (F) survey company;

11 (G) salt water hauler;

12 (H) gas nominator;

13 (I) gas purchaser; or

14 (J) well plugger; or

15 44 (2) a bond, letter of credit, or cash deposit in an
16 amount not to exceed \$25,000 if the person is involved in an
17 activity that is not associated with the ownership or operation of
18 wells and is not listed in Subdivision (1).[✓]

19 44 (c) A person who engages in more than one activity or
20 operation, including well operation, for which a bond or alternate
21 form of financial security is required under this subchapter is not
22 required to file a separate bond or alternate form of financial
23 security for each activity or operation in which the person is
24 engaged. The person is required to file a bond or alternate form of
25 financial security only in the amount required for the activity or

1 operation in which the person engages for which a bond or alternate
2 form of financial security in the greatest amount is required. The
3 bond or alternate form of financial security filed covers all of
4 the activities and operations for which a bond or alternate form of
5 financial security is required under this subchapter.

6 SECTION 3. Section 91.109, Natural Resources Code, as
7 effective September 1, 2004, is amended by amending Subsection (b)
8 and adding Subsection (c) to read as follows:

9 (b) In addition to the financial security requirements of
10 Subsection (a) [~~and Section 91.104(b)~~], a person required to file
11 a bond, letter of credit, or cash deposit under Section 91.103 who
12 is involved in activities other than the ownership or operation of
13 wells must file the bond, letter of credit, or cash deposit at the
14 time of filing or renewing an organization report required by
15 Section 91.142 according to the following schedule [~~in an amount~~
16 ~~equal to~~]:

17 ~~††~~ (1) no bond, letter of credit, or cash deposit if the
18 person is a:

19 ~~††~~ (A) local distribution company;

20 (B) gas marketer;

21 (C) crude oil nominator;

22 (D) first purchaser;

23 (E) well servicing company;

24 (F) survey company;

25 (G) salt water hauler;

1 ~~111~~ (H) gas nominator;

2 (I) gas purchaser; or

3 (J) well plugger [\$250,000]; or

4 ~~11~~ (2) a bond, letter of credit, or cash deposit in an
5 amount not to exceed \$25,000 if the person is involved in an
6 activity that is not associated with the ownership or operation of
7 wells and is not listed in Subdivision (1) [~~a lesser amount~~
8 determined by the commission if the person is able to demonstrate
9 that the risk associated with an operation or group of operations
10 warrants a lesser amount].

11 ~~1~~ (c) A person who engages in more than one activity or
12 operation, including well operation, for which a bond, letter of
13 credit, or cash deposit is required under this subchapter is not
14 required to file a separate bond, letter of credit, or cash deposit
15 for each activity or operation in which the person is engaged. The
16 person is required to file a bond, letter of credit, or cash
17 deposit only in the amount required for the activity or operation
18 in which the person engages for which a bond, letter of credit, or
19 cash deposit in the greatest amount is required. The bond, letter
20 of credit, or cash deposit filed covers all of the activities and
21 operations for which a bond, letter of credit, or cash deposit is
22 required under this subchapter.

23 SECTION 4. Section 91.142(g), Natural Resources Code, is
24 amended to read as follows:

25 (g) An organization report filed under this section must be

1 accompanied by the following fee:

- 2 ~~A~~ (1) for an operator of not more than 25 wells, \$300;
- 3 (2) for an operator of more than 25 but not more than 100
- 4 wells, \$500;
- 5 (3) for an operator of more than 100 wells, \$1,000;
- 6 (4) for an operator of one or more natural gas pipelines
- 7 as classified by the commission, \$225 [~~\$100~~];
- 8 (5) for an operator of one or more service activities or
- 9 facilities [~~, including liquids pipelines as classified by the~~
- 10 ~~commission,~~] who does not operate any wells, an amount determined
- 11 by the commission but not less than \$300 or more than \$500;
- 12 (6) for an operator of one or more liquids pipelines as
- 13 classified by the commission who does not operate any wells, an
- 14 amount determined by the commission but not less than \$425 or more
- 15 than \$625;
- 16 (7) [(6)] for an operator of one or more service
- 17 activities or facilities, including liquids pipelines as classified
- 18 by the commission, who also operates one or more wells, an amount
- 19 determined by the commission based on the sum of the amounts
- 20 provided by the applicable subdivisions of this subsection but not
- 21 less than \$425 [~~\$300~~] or more than \$1,125 [~~\$1,000~~]; and
- 22 (8) [(7)] for an entity not currently performing
- 23 operations under the jurisdiction of the commission, \$300.

24 ~~X~~ SECTION 5. This Act takes effect September 1, 2003.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 29, 2003

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB942, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from OIL-FIELD CLEANUP ACCT 145	Probable (Cost) from OIL-FIELD CLEANUP ACCT 145
2004	\$100,000	(\$100,000)
2005	\$70,000	(\$70,000)
2006	\$70,000	(\$70,000)
2007	\$70,000	(\$70,000)
2008	\$70,000	(\$70,000)

Fiscal Analysis

The bill would provide exemptions for certain non-well operators. Other non-exempt non-well operators would be required to file a bond, other financial assurance or cash deposit up to \$25,000.

The bill would provide that a person engaged in more than one activity or operation would only have to file one bond or other form of financial assurance for the activity for which the amount is the greatest.

In addition, the bill would increase by \$125 the following fees: the fee paid by an operator of one or more natural gas pipelines; the range of fees the Railroad Commission is authorized to charge for an operator of one or more pipelines carrying liquids; and the range of fees the Railroad Commission is

authorized to charge for an operator on one or more service activities or facilities operating one or more wells.

Methodology

The increase in fees provided by the bill is estimated by the Railroad Commission to result in additional revenues to the Oil Field Cleanup Account No. 145 by \$100,000 in fiscal year 2004 and by \$70,000 in fiscal year 2005. This estimate assumes all such revenues would be expended on additional cleanup activities, for which demand is expected to exist beyond available revenues.

According to the Railroad Commission, under current law operators with non-well activities would be required in the future to file financial assurance of \$250,000 or a lesser amount based on risk as determined by the Commission. Since the bill exempts certain categories of non-well activities from the bonding requirement and reduces the bond amount to \$25,000 for other activities, the bill could result in the state being exposed to greater liability in terms of sites requiring cleanups using proceeds of the Oil Field Cleanup Account No. 145.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, SD, CL, TL

SENATE AMENDMENTS 2011-12-22

2nd Printing

100 REPRESENTATIVES

By: Chisum, Rose

H.B. No. 942

A BILL TO BE ENTITLED

AN ACT

relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.109(b), Natural Resources Code, as effective September 1, 2004, is amended to read as follows:

(b) In addition to the financial security requirements of Subsection (a) and Section 91.104(b), a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule [~~in an amount equal to~~]:

(1) no bond, letter of credit, or cash deposit if the person is a:

(A) local distribution company;

(B) gas marketer;

(C) crude oil nominator;

(D) first purchaser;

(E) well servicing company;

(F) survey company;

(G) salt water hauler;

1 (H) gas nominator;

2 (I) gas purchaser; or

3 (J) well plugger [\$250,000]; or

4 (2) a bond, letter of credit, or cash deposit in an
5 amount not to exceed \$25,000 if the person is involved in an
6 activity that is not associated with the ownership or operation of
7 wells and is not listed in Subdivision (1) [a lesser amount
8 ~~determined by the commission if the person is able to demonstrate~~
9 ~~that the risk associated with an operation or group of operations~~
10 ~~warrants a lesser amount].~~

11 SECTION 2. This Act takes effect September 1, 2004.

ADOPTED

MAY 28 2003

Atty. Gen.
Secretary of the Senate

By: *J. J. Arny*—

H.B. No. 942

Substitute the following for ____ B. No. ____:

By: *J. J. Arny*—

C.S. *H.B. No. 942*

A BILL TO BE ENTITLED

AN ACT

relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.104(b), Natural Resources Code, as effective September 1, 2004, is amended to read as follows:

(b) A person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is an inactive operator or who operates one or more wells ~~[and is not involved in any other activities that require the filing of a bond, letter of credit, or cash deposit]~~ must, at the time of filing or renewing an organization report required by Section 91.142, file:

(1) an individual bond as provided under Section 91.1041;
(2) a blanket bond as provided under Section 91.1042; or
(3) a letter of credit or cash deposit in the same amount as required for an individual bond under Section 91.1041 or a blanket bond under Section 91.1042.

SECTION 2. Section 91.109, Natural Resources Code, as effective until September 1, 2004, is amended to read as follows:

1 Sec. 91.109. FINANCIAL SECURITY FOR PERSONS INVOLVED IN ACTIVITIES OTHER
2 THAN OPERATION OF WELLS [~~Disposal Site Bond~~]. (a) A person applying for
3 or acting under a commission permit to store, handle, treat,
4 reclaim, or dispose of oil and gas waste may be required by the
5 commission to maintain a performance bond or other form of
6 financial security conditioned that the permittee will operate and
7 close the storage, handling, treatment, reclamation, or disposal
8 site in accordance with state law, commission rules, and the permit
9 to operate the site. However, this section does not authorize the
10 commission to require a bond or other form of financial security
11 for saltwater disposal pits, emergency saltwater storage pits
12 (including blow-down pits), collecting pits, or skimming pits
13 provided that such pits are used in conjunction with the operation
14 of an individual oil or gas lease. Subject to the refund provisions
15 of Section 91.1091 of this code, proceeds from any bond or other
16 form of financial security required by this section shall be placed
17 in the oil-field cleanup fund. Each bond or other form of financial
18 security shall be renewed and continued in effect until the
19 conditions have been met or release is authorized by the
20 commission.

21 (b) In addition to the financial security requirements of
22 Subsection (a), a person required to file a bond or alternate form
23 of financial security under Section 91.103 who is involved in
24 activities other than the ownership or operation of wells must file
25 the bond or alternate form of financial security at the time of

1 filing or renewing an organization report required by Section
2 91.142 according to the following schedule:

3 (1) no bond, letter of credit, or cash deposit if the
4 person is a:

5 (A) local distribution company;

6 (B) gas marketer;

7 (C) crude oil nominator;

8 (D) first purchaser;

9 (E) well servicing company;

10 (F) survey company;

11 (G) salt water hauler;

12 (H) gas nominator;

13 (I) gas purchaser; or

14 (J) well plugger; or

15 (2) a bond, letter of credit, or cash deposit in an
16 amount not to exceed \$25,000 if the person is involved in an
17 activity that is not associated with the ownership or operation of
18 wells and is not listed in Subdivision (1).

19 (c) A person who engages in more than one activity or
20 operation, including well operation, for which a bond or alternate
21 form of financial security is required under this subchapter is not
22 required to file a separate bond or alternate form of financial
23 security for each activity or operation in which the person is
24 engaged. The person is required to file a bond or alternate form of
25 financial security only in the amount required for the activity or

1 operation in which the person engages for which a bond or alternate
2 form of financial security in the greatest amount is required. The
3 bond or alternate form of financial security filed covers all of
4 the activities and operations for which a bond or alternate form of
5 financial security is required under this subchapter.

6 SECTION 3. Section 91.109, Natural Resources Code, as
7 effective September 1, 2004, is amended by amending Subsection (b)
8 and adding Subsection (c) to read as follows:

9 (b) In addition to the financial security requirements of
10 Subsection (a) [~~and Section 91.104(b)~~], a person required to file
11 a bond, letter of credit, or cash deposit under Section 91.103 who
12 is involved in activities other than the ownership or operation of
13 wells must file the bond, letter of credit, or cash deposit at the
14 time of filing or renewing an organization report required by
15 Section 91.142 according to the following schedule [~~in an amount~~
16 ~~equal to~~]:

17 (1) no bond, letter of credit, or cash deposit if the
18 person is a:

19 (A) local distribution company;

20 (B) gas marketer;

21 (C) crude oil nominator;

22 (D) first purchaser;

23 (E) well servicing company;

24 (F) survey company;

25 (G) salt water hauler;

1 (H) gas nominator;

2 (I) gas purchaser; or

3 (J) well plugger [\$250,000]; or

4 (2) a bond, letter of credit, or cash deposit in an
5 amount not to exceed \$25,000 if the person is involved in an
6 activity that is not associated with the ownership or operation of
7 wells and is not listed in Subdivision (1) [a lesser amount
8 determined by the commission if the person is able to demonstrate
9 that the risk associated with an operation or group of operations
10 warrants a lesser amount].

11 (c) A person who engages in more than one activity or
12 operation, including well operation, for which a bond, letter of
13 credit, or cash deposit is required under this subchapter is not
14 required to file a separate bond, letter of credit, or cash deposit
15 for each activity or operation in which the person is engaged. The
16 person is required to file a bond, letter of credit, or cash
17 deposit only in the amount required for the activity or operation
18 in which the person engages for which a bond, letter of credit, or
19 cash deposit in the greatest amount is required. The bond, letter
20 of credit, or cash deposit filed covers all of the activities and
21 operations for which a bond, letter of credit, or cash deposit is
22 required under this subchapter.

23 SECTION 4. Section 91.142(g), Natural Resources Code, is
24 amended to read as follows:

25 (g) An organization report filed under this section must be

1 accompanied by the following fee:

2 (1) for an operator of not more than 25 wells, \$300;

3 (2) for an operator of more than 25 but not more than 100
4 wells, \$500;

5 (3) for an operator of more than 100 wells, \$1,000;

6 (4) for an operator of one or more natural gas pipelines
7 as classified by the commission, \$225 [~~\$100~~];

8 (5) for an operator of one or more service activities or
9 facilities[, ~~including liquids pipelines as classified by the~~
10 ~~commission,~~] who does not operate any wells, an amount determined
11 by the commission but not less than \$300 or more than \$500;

12 (6) for an operator of one or more liquids pipelines as
13 classified by the commission who does not operate any wells, an
14 amount determined by the commission but not less than \$425 or more
15 than \$625;

16 (7) [~~6~~] for an operator of one or more service
17 activities or facilities, including liquids pipelines as classified
18 by the commission, who also operates one or more wells, an amount
19 determined by the commission based on the sum of the amounts
20 provided by the applicable subdivisions of this subsection but not
21 less than \$425 [~~\$300~~] or more than \$1,125 [~~\$1,000~~]; and

22 (8) [~~7~~] for an entity not currently performing
23 operations under the jurisdiction of the commission, \$300.

24 SECTION 5. This Act takes effect September 1, 2003.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 23, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB942** by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB942, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2004	\$100,000	(\$100,000)
2005	\$70,000	(\$70,000)
2006	\$70,000	(\$70,000)
2007	\$70,000	(\$70,000)
2008	\$70,000	(\$70,000)

Fiscal Analysis

The bill would provide exemptions for certain non-well operators. Other non-exempt non-well operators would be required to file a bond, other financial assurance or cash deposit up to \$25,000.

The bill would provide that a person engaged in more than one activity or operation would only have to file one bond or other form of financial assurance for the activity for which the amount is the greatest.

In addition, the bill would increase by \$125 the following fees: the fee paid by an operator of one or more natural gas pipelines; the range of fees the Railroad Commission is authorized to charge for an operator of one or more pipelines carrying liquids; and the range of fees the Railroad Commission is

authorized to charge for an operator on one or more service activities or facilities operating one or more wells.

Methodology

The increase in fees provided by the bill is estimated by the Railroad Commission to result in additional revenues to the Oil Field Cleanup Account No. 145 by \$100,000 in fiscal year 2004 and by \$70,000 in fiscal year 2005. This estimate assumes all such revenues would be expended on additional cleanup activities, for which demand is expected to exist beyond available revenues.

According to the Railroad Commission, under current law operators with non-well activities would be required in the future to file financial assurance of \$250,000 or a lesser amount based on risk as determined by the Commission. Since the bill exempts certain categories of non-well activities from the bonding requirement and reduces the bond amount to \$25,000 for other activities, the bill could result in the state being exposed to greater liability in terms of sites requiring cleanups using proceeds of the Oil Field Cleanup Account No. 145.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, CL, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 9, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB942** by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would exempt certain non-well operators from financial assistance requirements and subject other non-well operators to a bond, letter of credit or cash deposit of \$25,000. The current financial assurance requirement for non-well operators is \$250,000.

The bill could expose the Railroad Commission to greater liability for site cleanups, since certain operators would be required to have reduced or no financial assurance. However, the cost of additional cleanups that would not be covered by the \$25,000 financial assurance requirement are not expected to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 17, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership or operation of wells.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would exempt certain non-well operators from financial assistance requirements and subject other non-well operators to a bond, letter of credit or cash deposit of \$25,000. The current financial assurance requirement for non-well operators is \$250,000.

The bill could expose the Railroad Commission to greater liability for site cleanups, since certain operators would be required to have reduced or no financial assurance. However, the cost of additional cleanups that would not be covered by the \$25,000 financial assurance requirement are not expected to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 19, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain exemptions from bond requirements for certain well operators.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB942, As Introduced: an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is June 1, 2003; or an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is September 1, 2003.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Six-Year Impact:

Fiscal Year	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2003	(\$187,484)	(\$241,500)
2004	(\$749,936)	(\$966,000)
2005	(\$749,936)	\$0
2006	(\$749,936)	\$0
2007	(\$749,936)	\$0
2008	(\$749,936)	\$0

Scenario 1 assumes the bill would take effect on June 1, 2003. Amounts are calculated at 25 percent of the annual amounts for years beginning in fiscal year 2004.

Fiscal Year	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2004	(\$966,000)	(\$749,363)
2005	\$0	(\$749,363)
2006	\$0	(\$749,363)
2007	\$0	(\$749,363)
2008	\$0	(\$749,363)

Fiscal Analysis

The bill would exempt non-well operators, such as water haulers, pipeline companies and well pluggers from bonding or alternative forms of financial security requirements in Natural Resources Code, Section 91.103 until September 1, 2004. After September 1, 2004, such entities would be exempt from bonding, letter of credit and cash deposit requirements Code, Section 91.103. The bill would take effect immediately if it receives two-thirds vote in both houses. Otherwise, it would take effect on September 1, 2003.

Methodology

Under current law, the Railroad Commission is authorized to collect, until September 1, 2004, an "alternate form" of financial assurance. The agency has been collecting alternate forms of financial assurance in the form of nonrefundable fees that are deposited to the credit of the Oil Field Cleanup Account No. 145. Since the bill would exempt non-well operators from financial assurance requirements, it is estimated that the bill's passage would result in a \$966,000 decrease in revenues in fiscal year 2004, based on the amount of fees-in-lieu of bonding currently being paid by 438 non-well operators without bonding. This loss is only expected in fiscal year 2004, (and in the final months of fiscal year 2003, if the bill were to become effective immediately) since provisions for alternate forms of payment expire on September 1, 2004.

The bill's provisions exempting non-well operators from financial assurance requirements are expected to result in an increase in the number of abandoned wells requiring plugging at the expense of the state. It is estimated this would result in increased costs to the state of \$749,936 per year. This estimate is based on the assumption that three of the 438 non-well operators without bonding would require plugging at the expense of the Commission each year. This estimate assumes that two of those sites would be standard non-well site cleanups at an average cost of \$58,968 per site, based on the average cleanup costs for non-well sites in 2001. The remaining one site per year is expected to be a major cleanup of a pipeline-related facility. Cleanup costs for such a facility is estimated to be \$632,000 per site, according to the Railroad Commission. This estimate assumes that all such costs would be paid out of the Oil Field Cleanup Account No. 145.

Technology

Some programming changes at the Railroad Commission are expected. However, these are not anticipated to be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JK, JO, CL, MS, TL

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

78TH LEGISLATIVE REGULAR SESSION

Revision 1

April 16, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB942 by Chisum (Relating to certain bond requirements for persons engaged in certain activities under the jurisdiction of the Railroad Commission of Texas other than the ownership and operation of wells.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source Agencies:

LBB Staff: JK, SJS

F

ENROLLED

H.B. No. 942

1 AN ACT

2 relating to certain bond requirements for persons engaged in
3 certain activities under the jurisdiction of the Railroad
4 Commission of Texas other than the ownership or operation of wells.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 91.104(b), Natural Resources Code, as
7 effective September 1, 2004, is amended to read as follows:

8 (b) A person required to file a bond, letter of credit, or
9 cash deposit under Section 91.103 who is an inactive operator or who
10 operates one or more wells [~~and is not involved in any other~~
11 ~~activities that require the filing of a bond, letter of credit, or~~
12 ~~cash deposit~~] must, at the time of filing or renewing an
13 organization report required by Section 91.142, file:

14 (1) an individual bond as provided under Section
15 91.1041;

16 (2) a blanket bond as provided under Section 91.1042;
17 or

18 (3) a letter of credit or cash deposit in the same
19 amount as required for an individual bond under Section 91.1041 or a
20 blanket bond under Section 91.1042.

21 SECTION 2. Section 91.109, Natural Resources Code, as
22 effective until September 1, 2004, is amended to read as follows:

23 Sec. 91.109. FINANCIAL SECURITY FOR PERSONS INVOLVED IN
24 ACTIVITIES OTHER THAN OPERATION OF WELLS [~~DISPOSAL SITE BOND~~].

1 (a) A person applying for or acting under a commission permit to
2 store, handle, treat, reclaim, or dispose of oil and gas waste may
3 be required by the commission to maintain a performance bond or
4 other form of financial security conditioned that the permittee
5 will operate and close the storage, handling, treatment,
6 reclamation, or disposal site in accordance with state law,
7 commission rules, and the permit to operate the site. However, this
8 section does not authorize the commission to require a bond or other
9 form of financial security for saltwater disposal pits, emergency
10 saltwater storage pits (including blow-down pits), collecting
11 pits, or skimming pits provided that such pits are used in
12 conjunction with the operation of an individual oil or gas lease.
13 Subject to the refund provisions of Section 91.1091 of this code,
14 proceeds from any bond or other form of financial security required
15 by this section shall be placed in the oil-field cleanup fund. Each
16 bond or other form of financial security shall be renewed and
17 continued in effect until the conditions have been met or release is
18 authorized by the commission.

19 (b) In addition to the financial security requirements of
20 Subsection (a), a person required to file a bond or alternate form
21 of financial security under Section 91.103 who is involved in
22 activities other than the ownership or operation of wells must file
23 the bond or alternate form of financial security at the time of
24 filing or renewing an organization report required by Section
25 91.142 according to the following schedule:

26 (1) no bond, letter of credit, or cash deposit if the
27 person is a:

1 (A) local distribution company;

2 (B) gas marketer;

3 (C) crude oil nominator;

4 (D) first purchaser;

5 (E) well servicing company;

6 (F) survey company;

7 (G) salt water hauler;

8 (H) gas nominator;

9 (I) gas purchaser; or

10 (J) well plugger; or

11 (2) a bond, letter of credit, or cash deposit in an
12 amount not to exceed \$25,000 if the person is involved in an
13 activity that is not associated with the ownership or operation of
14 wells and is not listed in Subdivision (1).

15 (c) A person who engages in more than one activity or
16 operation, including well operation, for which a bond or alternate
17 form of financial security is required under this subchapter is not
18 required to file a separate bond or alternate form of financial
19 security for each activity or operation in which the person is
20 engaged. The person is required to file a bond or alternate form of
21 financial security only in the amount required for the activity or
22 operation in which the person engages for which a bond or alternate
23 form of financial security in the greatest amount is required. The
24 bond or alternate form of financial security filed covers all of the
25 activities and operations for which a bond or alternate form of
26 financial security is required under this subchapter.

27 SECTION 3. Section 91.109, Natural Resources Code, as

effective September 1, 2004, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) In addition to the financial security requirements of Subsection (a) [~~and Section 91.104(b)~~], a person required to file a bond, letter of credit, or cash deposit under Section 91.103 who is involved in activities other than the ownership or operation of wells must file the bond, letter of credit, or cash deposit at the time of filing or renewing an organization report required by Section 91.142 according to the following schedule [~~in an amount equal to~~]:

(1) no bond, letter of credit, or cash deposit if the person is a:

(A) local distribution company;

(B) gas marketer;

(C) crude oil nominator;

(D) first purchaser;

(E) well servicing company;

(F) survey company;

(G) salt water hauler;

(H) gas nominator;

(I) gas purchaser; or

(J) well plugger [~~\$250,000~~]; or

(2) a bond, letter of credit, or cash deposit in an amount not to exceed \$25,000 if the person is involved in an activity that is not associated with the ownership or operation of wells and is not listed in Subdivision (1) [~~a lesser amount determined by the commission if the person is able to demonstrate~~]

1 ~~that the risk associated with an operation or group of operations~~
2 ~~warrants a lesser amount].~~

3 (c) A person who engages in more than one activity or
4 operation, including well operation, for which a bond, letter of
5 credit, or cash deposit is required under this subchapter is not
6 required to file a separate bond, letter of credit, or cash deposit
7 for each activity or operation in which the person is engaged. The
8 person is required to file a bond, letter of credit, or cash deposit
9 only in the amount required for the activity or operation in which
10 the person engages for which a bond, letter of credit, or cash
11 deposit in the greatest amount is required. The bond, letter of
12 credit, or cash deposit filed covers all of the activities and
13 operations for which a bond, letter of credit, or cash deposit is
14 required under this subchapter.

15 SECTION 4. Section 91.142(g), Natural Resources Code, is
16 amended to read as follows:

17 (g) An organization report filed under this section must be
18 accompanied by the following fee:

- 19 (1) for an operator of not more than 25 wells, \$300;
20 (2) for an operator of more than 25 but not more than
21 100 wells, \$500;
22 (3) for an operator of more than 100 wells, \$1,000;
23 (4) for an operator of one or more natural gas
24 pipelines as classified by the commission, \$225 [~~\$100~~];
25 (5) for an operator of one or more service activities
26 or facilities[~~, including liquids pipelines as classified by the~~
27 ~~commission,~~] who does not operate any wells, an amount determined

1 by the commission but not less than \$300 or more than \$500;

2 (6) for an operator of one or more liquids pipelines as
3 classified by the commission who does not operate any wells, an
4 amount determined by the commission but not less than \$425 or more
5 than \$625;

6 (7) [~~46~~] for an operator of one or more service
7 activities or facilities, including liquids pipelines as
8 classified by the commission, who also operates one or more wells,
9 an amount determined by the commission based on the sum of the
10 amounts provided by the applicable subdivisions of this subsection
11 but not less than \$425 [~~\$300~~] or more than \$1,125 [~~\$1,000~~]; and

12 (8) [~~47~~] for an entity not currently performing
13 operations under the jurisdiction of the commission, \$300.

14 SECTION 5. This Act takes effect September 1, 2003.

H.B. No. 942

President of the Senate

Speaker of the House

I certify that H.B. No. 942 was passed by the House on May 6, 2003, by a non-record vote; and that the House concurred in Senate amendments to H.B. No. 942 on May 30, 2003, by a non-record vote.

Chief Clerk of the House

I certify that H.B. No. 942 was passed by the Senate, with amendments, on May 28, 2003, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor

President of the Senate

Speaker of the House

I certify that H.B. No. 942
(1) was passed by the House on

May 6
(2)

, 2003, by a non-record vote;

and that the House concurred in Senate amendments to H.B. No. 942
on May 30
(3), 2003, by a non-record vote.

Chief Clerk of the House

**** Preparation: CT47;

I certify that H.B. No. 942
(1) was passed by the Senate, with

amendments, on May 28
(2), 2003, by the

following vote: Yeas 31
(3), Nays 0
(4).

Secretary of the Senate

APPROVED:

Date

Governor

**** Preparation: CT32;

MVB

Bill or Resolution Number: HB 942

JOINT AUTHOR AUTHORIZATION


As primary author of HB 942 I hereby authorize the following joint author(s):
(bill or resolution #)

David Farabee
printed name of joint author #1

signature of joint author #1

date

Patrick Rose
printed name of joint author #2


signature of joint author #2

3/11/03
date

printed name of joint author #3

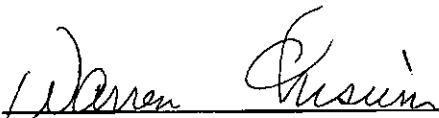
signature of joint author #3

date

printed name of joint author #4

signature of joint author #4

date


signature of primary author

18 February 2003
date

H.B. No. 942

By Warren Chisum

A BILL TO BE ENTITLED
AN ACT

relating to certain exemptions from bond requirements for certain well operators.

FEB 13 2003 Filed with the Chief Clerk

FEB 19 2003 Read first time and referred to Committee on Energy Resources

APR 17 2003 Reported favorably ~~(unfavorably)~~
(as substituted)

APR 24 2003 Sent to Committee on ~~(unfavorably)~~
(Local & Consent Calendars)

MAY 06 2003 Read second time (comm. subst.) ~~(unfavorably)~~; passed to third reading ~~(unfavorably)~~ by a (non-record vote)
(~~unanimous consent~~ unanimous consent ~~unanimous consent~~ ~~unanimous consent~~)

Constitutional rule requiring bills to be read on three several days suspended (failed to suspend)
by a vote of _____ yeas, _____ nays, _____ present, not voting

MAY 06 2003 Read third time ~~(unfavorably)~~; finally passed ~~(unfavorably)~~ by a (non-record vote)
(~~unanimous consent~~ unanimous consent ~~unanimous consent~~ ~~unanimous consent~~)

MAY 07 2003 Engrossed

MAY 07 2003 Sent to Senate

Robert Haney
CHIEF CLERK OF THE HOUSE

OTHER HOUSE ACTION:

MAY 07 2003 Received from the House

MAY 09 2003 Read and referred to Committee on NATURAL RESOURCES

Reported favorably _____

MAY 26 2003 Reported adversely, with favorable Committee Substitute; Committee Substitute read first time

Ordered not printed

MAY 28 2003 Laid before the Senate

Senate and Constitutional Rules to permit consideration suspended by (unanimous consent)
(_____ yeas, _____ nays)

MAY 28 2003 Read second time, _____, and passed to third reading by (unanimous consent)
(a viva voce vote)
(_____ yeas, _____ nays)

MAY 28 2003 Senate and Constitutional 3 Day Rules suspended by a vote of 31 yeas, 0 nays

MAY 28 2003 Read third time, _____, and passed by (a viva voce vote)
(31 yeas, 0 nays)

May 28, 2003 Returned to the House

Lotay Spaw
SECRETARY OF THE SENATE

OTHER SENATE ACTION:

MAY 28 2003

Returned from the Senate (as substituted)

(with amendments)

MAY 30 2003

House concurred in Senate amendments by a (non-record vote)

(record vote of _____ yeas, _____ nays, _____ present, not voting)

House refused to concur in Senate amendments and requested the appointment of a conference committee by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

House conferees appointed: _____, Chair; _____,

Senate granted House request. Senate conferees appointed: _____, Chair;

Conference committee report adopted (rejected) by the House by a (non-record vote)

(record vote of _____ yeas, _____ nays, _____ present, not voting)

Conference committee report adopted (rejected) by the Senate by a (viva voce vote)

(record vote of _____ yeas, _____ nays)

13 APR 23 PM 10:05
HOUSE OF REPRESENTATIVES

942

942